

EARNED INCOME TAX CREDIT

2007 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Darin G. Peterson

House Sponsor: Patrick Painter

LONG TITLE

General Description:

This bill amends the Individual Income Tax Act to enact an earned income tax credit.

Highlighted Provisions:

This bill:

- defines terms;
- enacts a refundable earned income tax credit, including addressing the amount of tax credit that may be claimed by:
 - a claimant that is a resident of this state for the entire taxable year for which the tax credit is claimed;
 - a nonresident claimant; or
 - a part-year resident claimant; and
- grants rulemaking authority to the State Tax Commission.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect for taxable years beginning on or after January 1, 2008.

Utah Code Sections Affected:

ENACTS:

59-10-1106, Utah Code Annotated 1953



Be it enacted by the Legislature of the state of Utah:

Section 1. Section **59-10-1106** is enacted to read:

59-10-1106. Definitions -- Earned income tax credit-- Commission rulemaking authority.

(1) As used in this section:

(a) "Federal earned income tax credit" means the amount of the federal earned income tax credit a claimant is allowed for the taxable year in accordance with Section 32, Internal Revenue Code.

(b) "Military service" is as defined in Section 59-10-116.

(c) "Nonresident claimant" means a claimant that, for the taxable year for which a tax credit is claimed under this section:

(i) is not a resident of this state; and

(ii) has federal adjusted gross income derived from Utah sources as calculated under Section 59-10-117.

(d) "Part-year resident claimant" means a claimant that, during the taxable year for which a tax credit is claimed under this section, changes residency status during a taxable year from:

(i) resident to nonresident; or

(ii) nonresident to resident.

(e) "Servicemember" is as defined in Section 59-10-116.

(f) "State income tax percentage for a nonresident claimant" means, for a taxable year, a percentage equal to a nonresident claimant's adjusted gross income for the taxable year received from Utah sources, as determined under Section 59-10-117, divided by the difference between:

(i) the nonresident individual's total adjusted gross income for that taxable year; and

(ii) if the nonresident individual described in Subsection (1)(f)(i) is a servicemember, the compensation the servicemember receives for military service if the servicemember is serving in compliance with military orders.

(g) "State income tax percentage for a part-year resident claimant" means, for a taxable year, a fraction:

(i) the numerator of which is the sum of:

59 (A) for the time period during the taxable year that the part-year resident claimant is a
60 resident, the part-year resident claimant's total adjusted gross income for that time period; and

61 (B) for the time period during the taxable year that the part-year resident claimant is a
62 nonresident, the part-year resident claimant's adjusted gross income for that time period
63 received from Utah sources, as determined under Section 59-10-117; and

64 (ii) the denominator of which is the difference between:

65 (A) the part-year resident claimant's total adjusted gross income for that taxable year;
66 and

67 (B) if the part-year resident claimant is a servicemember, any compensation the
68 servicemember receives for military service during the portion of the taxable year that the
69 servicemember is a nonresident if the servicemember is serving in compliance with military
70 orders.

71 (2) Subject to Subsections (3) and (4), for taxable years beginning on or after January
72 1, 2008, a claimant may claim a refundable earned income tax credit.

73 (3) (a) For a claimant that is a resident of this state for the entire taxable year for which
74 a tax credit is claimed under this section, the tax credit is an amount equal to 10% of the
75 federal earned income tax credit.

76 (b) For a claimant that is a nonresident claimant, the tax credit is equal to the product
77 of:

78 (i) an amount equal to 10% of the federal earned income tax credit; and

79 (ii) the state income tax percentage for the nonresident claimant.

80 (c) For a claimant that is a part-year resident claimant, the tax credit is equal to the
81 product of:

82 (i) an amount equal to 10% of the federal earned income tax credit; and

83 (ii) the state income tax percentage for the part-year resident individual.

84 (4) A claimant may not carry forward or carry back a tax credit provided for under this
85 section.

86 (5) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
87 commission may by rule define what constitutes compensation.

88 **Section 2. Effective date.**

89 This bill takes effect for taxable years beginning on or after January 1, 2008.

Legislative Review Note
as of 12-13-06 9:30 AM

Office of Legislative Research and General Counsel

S.B. 40 - Earned Income Tax Credit

Fiscal Note

2007 General Session

State of Utah

State Impact

Enactment of this bill could reduce the Education Fund by \$24,400,000 annually beginning in FY 2009.

	FY 2007 <u>Approp.</u>	FY 2008 <u>Approp.</u>	FY 2009 <u>Approp.</u>	FY 2007 <u>Revenue</u>	FY 2008 <u>Revenue</u>	FY 2009 <u>Revenue</u>
Education Fund	\$0	\$0	\$0	\$0	\$0	(\$24,400,000)
Total	\$0	\$0	\$0	\$0	\$0	(\$24,400,000)

Individual, Business and/or Local Impact

The average earned income tax credit is estimated to be \$187 per eligible household.

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Office of the Legislative Fiscal Analyst